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WORLD COTTON PROSPECTS

Summary

Small cotton crops in foreign countries and low stocks of American cotton abroad were largely responsible for the increase in exports of cotton from the United States in December, according to the Bureau of Agricultural Economics. In most years exports decline in December, but there have been exceptional years, such as 1926-27, when the low priced crop moved to market rather late and at a time when foreign demand was increasing. So far this season there is little evidence of an improvement in European demand, but stocks in Europe are low and Japan and China have been taking very large quantities of American cotton. Exports from the United States in December totaled 1,181,000 bales, an increase of 54 per cent over exports in December 1930. This brings the total for the season to the end of December to 89,000 bales more than in the corresponding period last season. Exports of Egyptian cotton from Alexandria have likewise been larger this season than last, but from August 1 to January 7 exports from India were about 46 per cent less than in 1930-31.

Domestic cotton consumption in December was about 10,000 bales more than in December, 1930, and, although 12,000 bales below November, showed considerably less than the average decline from November to December. Sales and shipments of cotton cloth in the United States during December were less than production resulting in increased stocks and lower unfilled orders. This made three successive months in which stocks have increased. As compared with a year earlier, however, this section of the domestic cotton industry is in a considerably better statistical position since both sales and shipments

during the calendar year were in excess of production. In mid-January, yarn and cloth demand in Great Britain was reported as improving, but during the previous five or six weeks British manufactures had been losing ground. Sales of textile, however, were still much below those during the period immediately following the abandonment of the gold standard. In Continental Europe it is thought that the cotton textile industry as a whole is in a fairly satisfactory statistical position in regard to stocks of goods on hand. France, where stocks are reported to be 20 to 40 per cent more than a year ago and unfilled orders 30 to 40 per cent lower, is the only outstanding exception. Yarn and cloth sales in Italy have been mostly above production since the middle of 1931 and unfilled orders have been rising slightly since the spring of 1931. On the Continent the outlook for the cotton textile industry is largely dependent upon the political, financial and related factors. In the Orient cotton textile activity continues at a rather satisfactory level. The Japanese are feeling the effects of the Chinese boycott, but this has brought increased operations in the Chinese mills.

Cotton prices in domestic markets during the six weeks ended December 18, advanced about three-fourths cent per pound and on January 18 was 1.47 cents per pound above the low point for the season, but by January 22 were 1.34 cents above. In foreign markets prices of American cotton when adjusted to a gold basis have shown somewhat similar changes. In comparison with prices of Indian and Chinese cotton, prices of American in foreign markets continue to become relatively cheaper.

Information obtained so far continues to point to production in foreign countries more than 1,000,000 bales less than in 1930-31. A recent report from Russia shows the revised 1931-32 acreage about 9 per cent smaller than that previously reported. This Bureau has reduced its estimate of the 1931-32

Russian cotton crop from 2,000,000 bales to 1,900,000 bales. Ginnings of Egyptian cotton up to January 1 were 8 per cent below ginnings to the same date last season and receipts at Alexandria from August 1 to January 13 were 8 per cent larger than in 1930-31. Since the crop is estimated at 18 per cent less than last season these ginnings and receipts figures indicate that the cotton is being ginned faster or earlier than last season or the estimated production is too small. In India receipts at Bombay up to January 14 were less than half of those for the same period in 1930-31 which tends to confirm the belief that the crop this season will be much smaller.

Prices

Spots

During the past five or six weeks cotton prices in domestic markets have displayed considerable strength and on January 18 the average of Middling 7/8 in the 10 spot markets was 6.36 cents per pound or 0.45 cents above the price one month earlier and 0.79 cents above the quotation six weeks earlier. As compared with the low point of the season the price on January 18 was 1.47 cents per pound higher. The price in these markets on January 19 last year was 9.22 cents. In Liverpool, prices of American cotton on a gold basis have advanced about in line with the changes in domestic markets.

A comparison of the prices of American and Indian cotton at Liverpool shows that Indian continues to become more expensive relative to American. On January 8 the average price of three types of Indian cotton averaged 94.6 per cent as much as the average of American Middling and Low Middling, whereas on December 11 they averaged 92.6 per cent. About the middle of January the average of four important types of Indian cotton at Bremen, Germany, averaged 106 per cent of the price of American Middling compared with 101 one month earlier, 81 in January 1931, and 96 in January 1927. In Japan and China American cotton continues to remain cheap relative to the prices of competing growths. Chinese cotton in Shanghai is selling for practically the same price as American which is generally considered much more desirable, consequently millers are showing little interest in native cotton.

Stocks and Movements

Apparent supply of American cotton in the United States

On January 1 the apparent supply of American cotton remaining in the United States for the remainder of the season was 17,003,000 bales. This compares with 12,682,000 bales a year earlier and with 13,815,000 bales at the same time in the 1926-27 season, the previous record supply for this time of the year. The decrease in the United States supply during December this

season amounted to about 431,000 bales more than during December, 1930, the disappearance (consumption plus exports) of raw cotton from the United States totaling 1,587,000 and 1,156,000 bales respectively during the two months. The total disappearance of American cotton so far this season has amounted to 6,177,000 bales whereas domestic consumption and exports for the first five months of last season amounted to 5,881,000 bales or 5 per cent less.

World visible supply

On January 15, 1932 the total visible supply of American cotton was 8,561,000 running bales, an increase of about 11 per cent over the 7,714,000 bales visible a year earlier, according to data contained in the Commercial and Financial Chronicle. The American cotton visible outside the United States, however, was 23 per cent less while that in the United States was about 22 per cent greater. In case of American cotton the above comparison of the supply of these two seasons is misleading, since there is an unusually large amount of American cotton at the present time which is not classed as visible. Foreign cotton visible on January 8 on the other hand, was 15 per cent less than a year earlier.

Exports of American cotton

Exports of American cotton during December amounted to 1,181,000 running bales compared with 765,000 running bales in December 1930 or an increase of 54 per cent according to reports of the Bureau of the Census. Total exports for the season August-December amounted to 4,035,000 bales which is 89,000 bales more than during the first five months last season. Comparing exports this season with those for the corresponding month a year ago, a relative increase is shown for each month since September. Recently exports to Great Britain have increased but Japan and China have been the outstanding takers of American cotton this season. Exports for the season to January 1 to Japan were 108 per cent or 515,000 bales larger than for the corresponding date last year; those to Great Britain were 21 per cent or 155,000 bales less; those to Germany 25 per cent or 284,000 bales less and those to France 75 per cent or 478,000 bales less but those to Italy 16 per cent or 45,000 bales more.

Exports of Egyptian cotton

From August 1 to January 6 total exports of cotton from Alexandria Egypt, amounted to 454,000 running bales, an increase of 60,000 bales or 15 per cent over the 1930-31 period, according to the Commercial and Financial Chronicle. It is interesting to note, however, that all of the increase over the previous season took place in August. Exports during the four weeks ended January 6 were practically the same as during the corresponding weeks of 1930-31. The Continent of Europe and India combined have taken practically the same amount of Egyptian cotton from August 1 to January 6 this season as in the like period of last season. Exports to Great Britain, however, have been about 53,000 bales or 40 per cent more than in 1930-31.

Exports of Indian cotton

In contrast to the slight increase in exports of American cotton so far this season as compared with last season and the 15 per cent increase in the movement of Egyptian, exports of cotton from India from August 1 to January 7 were about 46 per cent less than last season. These low export figures as well as the receipts at Bombay indicate that the crop this season is much smaller than in 1930-31. The Continent has taken about 60 per cent less Indian cotton this season, Great Britain 54 per cent less and Japan and China combined 36 per cent less. The export movement for recent weeks shows an even greater decline from the corresponding period of last year, and in the four weeks ended January 7, 1932 totaled only 38 per cent as much as last season.

Stocks in consuming establishments

Although domestic mills have been consuming since last June more cotton each month than during the corresponding month of the previous season, their stocks of raw cotton have been below a year earlier for several months but in November and December were not as much below as in previous months. At the end of December stocks at mills amounted to 1,631,000 bales compared with 1,656,000 bales a year earlier. In April 1931 they were 292,000 bales smaller than the corresponding period of 1930. When stocks of foreign cotton are excluded it appears that at the end of December domestic mills held larger stocks of American cotton than on December 31, 1930. Stocks of foreign cottons on December 31 were 44,024 bales less than twelve months earlier due to the fact that consumption has been running above imports. The tariff on long stable cotton has been a factor in this connection.

Stocks in public storage and at compresses

On December 31, 1931, there were 10,426,000 running bales of raw cotton in public storage and at compresses in the United States compared with 8,376,000 bales one year earlier. There was an even larger increase in the amount of American cotton in storage during this period.

Textile Situation

United States

Cotton consumption in the United States after adjustment for the normal seasonal trend showed a decline from July through November, but the index of consumption in November of 84 (1923-1925 = 100) was still 7 points

above the low of December 1930 and was 1 point above November, 1930. Consumption in December was 12,000 bales below the previous month, but this was considerably less than the average decline from November to December during the past five years of 49,000 bales. The 415,000 bales consumed in December, 1931, was about 10,000 bales more than December 1930 consumption and brought the total for the season to 2,196,000 bales. This was 186,000 bales or 9.3 per cent more than was consumed from August 1 to December 31, 1930. Since last June domestic mills have been consuming more cotton than during the same month of the previous season.

In the domestic cotton cloth industry production in December averaged 50.9 million yards per week which was 12.0 per cent below the rate of production maintained during November, but was 8.8 per cent above December 1930, according to reports of the Association of Cotton Textile Merchants of New York. Sales and shipments in December were also below November as is usually the case but they too were above December 1930 and were below production, resulting in an increase in stocks on hand and a decrease in unfilled orders during the month. For the calendar year 1931, however, both sales and shipments were substantially in excess of production and at the end of 1931 stocks were 20.3 per cent below a year earlier and unfilled orders 11.5 per cent above. This section of the domestic cotton industry is, therefore, in a considerably better statistical position than a year ago.

Great Britain

The cotton textile industry of Great Britain witnessed a substantial improvement following the abandonment of the gold standard in September and for several weeks sales were much above the greatly increased production. During the period from late November to early January, however, British manufacturers were losing ground, sales in most lines having been below production during this period and the spinners' margin decreasing. At mid-January yarn and cloth demand was again reported as improving. Larger cloth inquiries were reported from India and China and yarn turnover was slightly larger. The yarn margin on January 15 was still lower notwithstanding the improved demand conditions. The improvement in demand was said to have been in anticipation of higher yarn and cloth prices.

It has been expected that the recent conflict between the British and Indian political leaders in India would reduce the cloth demand from that important market. Some optimism exists concerning trade with China, which is Great Britain's second largest foreign market for cotton manufactures, in view of the continuation of the Chinese boycott of Japanese goods.

Apparently Great Britain has not received as much competition among her fine goods markets, for during the season up to about the middle of December forwardings of Egyptian and Sudan cotton to British spinners were about 67 per cent greater than in the same period the previous season, while forwardings of all other cotton were only 21 per cent greater. It seems likely that the coarse goods manufacturers are suffering more from the Indian boycott of British goods since the Indian mills which produce a larger proportion of coarse goods have been very active this season.

Continental Europe in 1931 1/

There have been nearly four years of virtually continuous recession in the continental cotton mill and textile trade activity. Falling prices, rising unemployment, declining wages and the semi-paralysis of economic activity resulting from the general credit crisis have reduced European consumption of raw cotton and cotton goods to a lower level than any since the years of the German inflation, (1922 and 1923) yet, statistically the cotton industry over the Continent as a whole seems to have reached firmer ground.

The new year opens with cotton textile production apparently adjusted on the whole to the current low rate of consumption. The stocks situation also seems well in hand. Cotton mill output is now running about 25 per cent below the level of the active year 1927-28 and around 17 per cent below the average of the past seven years. Mill stocks of finished and semi-finished goods have been worked down to moderate and even low levels in practically all important countries except France, where a reduction is now taking place. Reduced goods stocks in distributing channels have long been indicated by the trade's general policy of hand-to-mouth buying.

The key to the future trend of European cotton consumption clearly lies in the general economic situation. Conditions in the cotton industry and low prices of raw material have been conducive to revival for several months, but to date the steady downward drift in general business, the financial crisis and extreme political uncertainty have precluded any real turn for the better.

1/ Based largely on Agricultural Attache L. V. Steere's report of December 30, 1931 supplemented by cable on January 15, 1932.

Developments in European raw cotton and cotton textile markets in 1931 were largely under the influence of the heavy raw material supplies, the resultant decline in cotton prices, and the critical turn in world financial conditions. The stimulating influence of the war-debt moratorium and occasional upturns in prices were never effective in curbing bearish sentiment for any length of time. The revival of speculative optimism on all commodity markets in October led to considerable improvement in sales of yarn and goods in many party of the Continent, but political and financial difficulties subsequently assumed such proportions that the improvement was short lived. The political, financial, and related factors which have prevented revival in the cotton industry during 1931 -- the banking crisis, growing trade restrictions in the form of rising tariffs, import contingents and control of foreign exchange payments, the abandonment of the gold standard by Great Britain and other countries, and the unusual severity of the agricultural crisis in eastern Europe -- are still important factors. Upon them hinge the return of confidence and improvement in the purchasing power of important consuming areas for European textile goods.

The movement of raw cotton prices was also a factor of some importance in influencing mill consumption and the movement of goods into distributing channels. Continued weakness has encouraged hand-to-mouth buying of both raw cotton and cotton manufactures. The movement of cotton prices will probably continue to affect trade buying. Consumer buying of cotton textiles, however, is probably more dependent upon conditions affecting purchasing power.

The position of American in relation to competitive cottons on the Continent

Although Indian cotton prices were somewhat higher during the 1930-31 season than in 1929-30, in relation to American, the share of Indian cotton in continental mill consumption was well maintained. Lower relative prices of Egyptian in 1930-31 resulted, however, in an increased share of Egyptian in continental mill consumption. During the current season, since Indian cotton has become much higher priced in relation to American, the proportion of Indian growths consumed is apparently decreasing. This would be in line with trade reports indicating that mill purchases of Indian cotton have been relatively small so far this year and export figures which show that exports of Indian cotton for this season up to January 7 were almost 60 per cent below last season, whereas, exports of American cotton to Continental Europe from August 1 to January 1 were about 40 per cent below the corresponding period last season.

Relative prices of Egyptian cotton are now only slightly above those of last year, and there has been a more stable mill consumption of this type on the Continent. As a result exports from Egypt to the Continent from September 1 to about December 23 were only 21 per cent below the same period in 1930.

Germany

Germany experienced a year of drastic curtailment in textile output in 1931. All hope for an improvement in the situation held at the beginning of the year was destroyed by the further break in raw cotton prices, and by the general economic and financial crisis after the middle of the year. A slight revival in mill sales of yarn and goods, accompanied by some increase in both spinning and weaving mill activity, was evident during the first half of the year, but this disappeared later in the year when the financial conditions became so severe.

In October, when commodity markets strengthened and active speculation was again observed, increased buying activity developed for yarns and goods, together with some seasonal increase in takings by wholesalers and retailers.

This was due chiefly to the sharp rise in raw cotton quotations, although a desire to obtain "real values" in a time of currency uncertainty also contributed toward increased buying of cotton yarn and goods at that time. This improvement, however, was not maintained in November and December, and the German public, despite past inflation experience, has shown remarkable discipline about unsound "mark-flight" purchases which sooner or later would have brought about a business breakdown.

The statistical position of the German cotton industry would favor increased activity in case of an improvement in general conditions since stocks of finished and semi-finished cotton goods at the mills and in distributing channels are low. Production seems to be well within the limits of the current low level of consumer demand although cloth mills in the last few months have been able to maintain a rate of activity noticeably above that of last year. This is of course favorable to the spinning industry.

Prices of cotton yarns and goods in Germany, except for a period in the spring, declined quite steadily up to the end of the year. The current level of prices would in case of an upturn in conditions favor the replenishment of stocks by wholesalers and retailers.

German imports of raw cotton have declined heavily in 1931, with net imports of all growths up to the end of November of 955,000 equivalent 478 pound bales as compared with 1,206,000 bales in the first eleven months of 1930, or a decrease of 21 per cent. Recently, however, cotton movement to Germany has improved. In October, November, and December, 1931, exports of American cotton to Germany were larger than during the corresponding months of 1930, and for the three months combined were about 11 per cent greater in 1931 than in 1930. Imports of cotton yarn and cotton goods were much smaller in 1931 than in 1930.

Czechoslovakia

The heavy dependence of the Czechoslovakian cotton industry on foreign markets and the extremely critical state of financial conditions and trade restrictions in markets surroundin Czechoslovakia, notably Germany, Austria and Hungary, have made the past year an extremely unsatisfactory one for the textile business, and render the outlook for 1932 uncertain. Much is contingent upon restoration of confidence and betterment of the general business situation in central and eastern Europe.

Czechoslovakian exports of yarn and cotton goods, in 1931, fell close to 30 per cent behind those of 1930 which were already considerably below previous years. Textile exports have been especially hampered by the tariff conflict with Hungary in effect since the termination of the Czechoslovak-Hungarian commercial treaty a year ago, and particularly since the financial crisis and the introduction of severe restrictions on foreign exchange in both Hungary and Austria during the last half of 1931.

Czechoslovakian imports of raw cotton of all kinds during the first 10 months of 1931 amounted to only 332,000 equivalent bales of 478 pounds as compared with 410,000 bales in the same months of last year, a decrease of 19 per cent.

Austria

In Austria the cotton textile industry passed through a very severe year in 1931 and the present conditions are discouraging chiefly because of the extremely weak position of Austria, economically, and the great uncertainty as to future financial developments.

The breakdown of the Austrian Creditanstalt in March, 1931, which is frequently regarded as having precipitated the European credit crisis, severely hampered the cotton textile industry. A number of mills are directly affected by the bank's liquidation, and have had and are still having difficulty in obtaining necessary credit elsewhere. The industry has reaped some temporary advantage from the restriction of imports resulting from the control of foreign exchange, but this appears to be more than off-set by the increased severity of the general crisis.

France

All branches of the French industry have been forced to curtail operations to a marked extent during 1931. Spinning mill activity has been reduced as much as 30 per cent in recent months as compared with last year, though cloth mill production has fallen only 10 to 20 per cent. Stocks of yarn and fabrics at the mills during the last half of 1931 have been reported to be 20 to 40 per cent higher than a year ago and unfilled orders 30 to 40 per cent under those on hand last year at this time. These developments have occurred in spite of the two month textile strike in northern France in the summer of 1931 which could not have been without effect on production. These conditions are not encouraging, particularly when it is considered that unemployment has been steadily rising in France, and that general economic activity both in France in its export markets is low.

It is also significant that the French cotton industry now finds itself in no position to maintain operations in order to retain skilled textile labor as has been a definite policy in the past. British competition is also much complained of recently, especially in fine counts. Competition from England in this class of goods seems likely to be felt increasingly, at least in export markets.

France was long an "island of prosperity" in a more or less universally depressed Europe, and its cotton textile industry - along with other industries- was able to maintain high levels of activity for many months after mills in other countries had been forced to reduce operations to a marked extent. For several months France has also encountered reduced orders and has had to contend with the problem of overproduction and excessive stocks. They are apparently decreasing production sufficiently now to reduce stocks. The decrease of 75 per cent in the exports of American cotton to France from August 1 to December 31, 1931 as compared with the same period in 1930 reflects both the depressed conditions of the industry in the latter part of 1931 and the relatively prosperous conditions a year earlier.

Italy

Though presenting a picture of deep depression during 1931, the Italian cotton textile industry has gradually worked back to a point where the statistical position is more favorable and increased activity has been reported.

Sharp curtailment of mill operations during the second half of 1930 and the first 9 months of 1931 has cleared stocks, improved the ratio of new orders to current production, and enabled a slight rise in operations and unfilled orders during the past several months. For some time, production in the spinning and weaving mills has been slightly above or level with last year, when it was 30 per cent below the year previous. Yarn and cloth sales have been mostly above current levels of output since the middle of the year. Mill stocks of goods and yarns have declined steadily since the fall of 1930, and unfilled orders have been rising slightly since the spring of 1931. Net imports of raw cotton, which were greatly below corresponding months of the previous year for a long time, have risen above last year's levels since the middle of 1931, though they are still greatly below corresponding months of the years 1927 to 1930.

These facts seem to indicate that certain adjustments have been made within the cotton industry, which, as far as conditions in the industry itself are concerned, have paved the way for a basic revival. None of the European countries seems so well prepared for a cotton mill recovery as Italy. But general economic developments and the possible after-effects of the Banca Commerciale difficulties still dominate the situation.

Belgium

The Belgian cotton textile industry witnessed a sharp drop in production in the past year. Stocks of yarn and cotton goods are now reported generally low in Belgium and some improvement in orders, though partly seasonal in character, has occurred recently, notwithstanding the fact that export business has been rendered difficult by the departure of England from the gold standard and higher tariffs in many countries.

The Netherlands

The cotton industry in the Netherlands has been relatively less affected than that of other countries by the business crisis in 1931, although a general textile strike has clouded the outlook as the year closed. Export outlets in the Dutch East Indies are an important factor in the stability of conditions in the Dutch industry. There is now the possibility of increased Japanese competition in this market as a result of Japan's recent abandonment of the gold standard.

Poland

The year 1931 was one of reduced operations and extensive financial difficulties in the Polish cotton industry. Efforts to stabilize conditions by re-organization of the spinner cartel were not fully successful because of difficulty in maintaining discipline among cartel members. Manufacturers and the trade have repeatedly suffered extensive losses from the accumulation of large stocks of yarns and goods while prices were declining. A possible alleviation of these difficulties is now to be seen in the decision of the Government to support adherence to the cartel through an increase in import duties on raw cotton for non-cartel spinners. If maintained, this policy seems likely to bring about greater stability through forced downward adjustment of production to sales possibilities. The unsatisfactory conditions led to the closing of all Lodz factories for four weeks at the close of the year, but this appears to be only a temporary measure. Polish

exports of cotton cloth have shown a considerable decline during 1931, although some recovery of exports has recently occurred.

Spain

The Spanish cotton industry experienced only a relatively minor recession during 1931. Mill consumption of raw cotton is now reported below normal, because of spinners' difficulties in securing foreign exchange for imports. So far there is little evidence that the currency troubles have improved. It is important to note, however, that the curtailment of cotton consumption does not appear to be based upon internal market or stock conditions.

Sweden

The Swedish cotton industry had a relatively poor year in 1931, but, since abandonment of the gold standard and the beginning of a compensatory rise in prices, a good revival is reported to have developed. The improvement in raw cotton prices in October also seems to have been a stimulating factor.

Russia

Cloth production in 1931 is thought to have amounted to around 2,625,000,000 yards although final figures are yet lacking. This means a considerable non-execution of the 1931 plan, which provided for a total output of 3,093,000,000 yards. The failure of the plan is attributed to technical and labor difficulties, but the reduced outturn of the 1930 cotton crop also seems to have been a factor, notwithstanding that fact that it is not mentioned in the Russian press.

The output of the Russian textile industry in cotton fabrics' during recent years may be seen in the accompanying table.

Russia: Cotton cloth production 1925 to 1931

Calendar year	Cloth production
	Million yards
1925	1,827
1926	2,330
1927	2,586
1928	2,842
1929	3,189
1930	2,466
1931	1/ 2,625

1/ Preliminary.

The newly announced plan for the Russian cotton textile industry in 1932 provides for an increase in cloth production of about 25 per cent as compared with 1931. A total quantity of 3,348,000,000 yards of finished fabric is planned. It is said that 1 billion meters or about 1,094,000,000 yards of cloth requires from 600,000 to 650,000 bales of raw cotton of 478 pounds. This would require between 1,800,000 and 2,000,000 bales which is about equal to the estimated production in Russia in the 1931-32 season.

China 1/

The Chinese cotton mills in Shanghai continued active about the middle of January but curtailment in Japanese section of industry at that time appeared to be about twenty per cent. Curtailment in operations of Japanese mills at Tientsin and Tsingtao, on the other hand, has been slight. Arrivals of foreign cotton at Shanghai during the quarter ended December 1931 were about double those of the fourth quarter of 1930, but arrivals of native cotton have only been about twelve per cent of last year due chiefly to low prices of American and other foreign cotton. The decrease in the crop has been responsible for part of the decreased arrivals of domestic cotton, but arrivals from sections having a crop larger than last year have also been less than a year ago. Total arrivals of all cotton at Shanghai are somewhat below the same quarter last year. Stocks of raw cotton in Shanghai at present are not considered heavy.

Total mill consumption of cotton in China for the quarter just ended, from information available, appears to have been about the same as a year ago. There was, however, an increase in American due to the low price relation with Indian and Chinese. There seems to be a definite increase in spinning of higher count yarns this year due to cheap American cotton with resultant decreased demand for Chinese cotton for lower count yarn which would ordinarily be in demand at this time. Prices of Chinese cotton remain too high to interest millers and less than the usual portion of the commercial crop has arrived in Shanghai.

1/ Based largely on a cable from Agricultural Commissioner Dawson at Shanghai, dated January 14, 1932.

The yarn market was reported to have had an uncertain tone due to the gloomy political outlook and the approach of the Chinese New Year and the year end settlements, with tightness prevailing in the money market. Yarn demand from the interior is not strong and it now appears that demand for all China is somewhat less than a year earlier due to the decreased purchasing power of the consumers.

The market for piece goods was quiet in the past few weeks with little inquiry due to foreign holidays and approach of the Chinese New Year. Demand during succeeding weeks depends on absence of major hostilities in north and progress of reconstruction in flooded areas. Stocks in the interior are considered light.

American cotton during December totaled about 181,000 bales of 478 pounds compared with 76,000 bales in November and about 100,000 bales in December 1930. Imports of Indian cotton on the other hand, showed a decrease from November to December the total for each month being 34,000 and 17,000 equivalent bales of 478 pounds respectively. Imports of American cotton for the fourth quarter of 1931 amounted to 368,000 bales and Indian to only 82,000 bales. For the 1931-32 season it is expected that imports of American will reach nearly 1 million bales. Commitments in early January were heavy and some increase in buying is expected after the Chinese New Year. There is little tendency evident to buy ahead for the new crop year although many have contracted for requirements for four or five months. The credit situation and the uncertainty of the exchange are factors restricting distant commitments.

Production, Acreage and Crop Conditions

Little information has been received during the past month that has affected the estimate of the world production in 1931-32. Indications still point to a world production a little less than 2 million bales larger than in 1930-31 with foreign production more than 1 million bales less and United States production 3 million bales greater.

United States

The December estimate of production in the United States will hold until the final ginnings report of the Bureau of the Census is released in March. At that time the final official estimate will be released. During the past four years the December estimate has been within 1 or 2 per cent of the final estimate.

Ginnings - Up to December 13, 1931 there had been 15,356,000 running bales of the 1931 crop ginned. This compared with 13,259,000 bales up to the same date in 1930, 13,457,000 bales in 1929, and 15,541,000 bales in 1928 the year of the record crop. The ginnings from December 1 to December 13 totaled only 535,000 running bales which in relation to the size of the crop was the smallest amount ginned during that period for many years. It should be remembered that the running bales this season have averaged considerably more than 478 pounds net and the indications are that the average weight of the bales ginned this season will be the largest on record.

Fertilizer tag sales - In December 1931 sales of fertilizer tags in the eight most important cotton producing States excluding Oklahoma (Oklahoma uses very little fertilizer) showed a decline of 32 per cent from the previous December, and 40 per cent from December 1929, according to reports of the National Fertilizer Association.

Egypt

In Egypt the 1931-32 crop is now estimated at 22.6 per cent below 1930-31 as was stated last month, ginnings up to January 1, however, were only 8 per cent below ginnings to the same date last season. Total ginnings to January 1 (excluding 23,000 bales of low grade cotton called "Scorto") amounted to 890,000 bales of 478 pounds net compared with 964,000 bales the previous year. During the past three years ginnings to January 1 have averaged 63 per cent of the total production but ginnings to January 1 this season are equivalent to 69 per cent of the estimated production. The estimated production of Sakellaridis for this season is about 37 per cent below 1930-31 and the ginnings to January 1 were only 24 per cent below last season. The production of all varieties other than Sakellaridis is estimated at 18 per cent less than in 1930-31 and ginnings to January 1 were 3 per cent less. This indicates that the crop this season is being ginned faster or earlier than last or the estimate of production is small. It is too early to say just what has caused this variance, for during the past three years ginnings to January 1 have ranged between 58 and 71 per cent of the total. Receipts of Egyptian cotton at Alexandria from August 1 to January 13 this season were 8 per cent above the corresponding period in 1930-31.

India

No new estimate of the Indian crop has been received since last month, but receipts at Bombay continue to indicate that the crop is evidently smaller than in 1930-31. Receipts at Bombay from August 1 to January 14 were 54 per cent below that period in 1930-31, according to reports in the Commercial and Financial Chronicle. Mills in India are consuming more cotton this year than last, however; the crop is later than last season, and the low prices have probably caused owners in the interior to hold some of their cotton in hopes of higher prices. Production on the area planted up to December 1 has been estimated at 18.2 per cent less than the production of the corresponding part of the 1930-31 crop. The estimate for this area is 3,428,000 bales of 478 pounds compared with 4,191,000 bales last season.

China

The fact that the Chinese crop is much smaller this season (estimated at 20 per cent smaller) is substantiated by the fact that Chinese cotton is now selling for about the same price as American, whereas, it ordinarily sells for considerably less, it being generally considered less desirable than American. In addition it is reported that the receipts of native cotton at Shanghai during the three months ended December 31, 1931 were only about 12 per cent of those of the same period the previous year. Only a part of the decrease is due to the short crop, however, for receipts were also small from those sections where it is definitely known that the crop is larger than in 1930-31. The lack of interest on the part of the

spinners due to the ability to get American at about the same price is probably also a factor in the small volume of receipts. Estimates for the Nantingchow, Shanghai and Hankow areas place the crop 40 per cent below a year ago. In north China, Shantung, Hopei, Shansi and northern Honan the crop is considered 15 per cent larger than the previous year.

Russia

A recent statement by Soviet officials shows that the previous estimates released on the 1931-32 acreage were found to be too high. They are now reporting 5,281,000 acres as the area planted which is 543,000 acres or 9.3 per cent below the previous estimate but 1,411,000 acres, or 36.5 per cent above the 1930-31 acreage. This acreage reduction further substantiates the estimate of this Bureau which placed the maximum production at 2,000,000 bales of 478 pounds or an increase of 450,000 bales (29 per cent) over 1930-31, although the unrevised acreage showed an increase in area of 50 per cent. With the possibility of a still further reduction in the reported acreage and procurings up to December 20 for a large proportion of the area only 60 to 70 per cent of the plan, it now seems probable that the production will not exceed 1,900,000 bales, an increase of only 23 per cent over 1930-31 although the crop was at one time officially expected to reach 2,700,000 bales.

A further increase in acreage and production is planned for 1932. A recently approved plan calls for about 6,022,000 acres to be planted next spring, an increase of 841,000 acres or 14 per cent over the revised 1931-32 acreage. The decrease in the rate of expansion is said to be due to the fact that according to the plan greater efforts are to be made in improving the quality and yields.

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